

Statement by
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At the Hearing on
Medicaid and Prescription Drugs
Before the
House Committee on Energy and Commerce

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Thank you for allowing us to submit this statement for the record. Families USA is the national organization for health care consumers. Our mission is to ensure that all Americans have access to high-quality affordable health care. Like everyone at the hearing, we are deeply concerned about the future of the Medicaid program and look forward to working with the Energy and Commerce Committee to strengthen and improve Medicaid on behalf of the 53 million vulnerable children, seniors and people with disabilities who rely on the program for their health care needs.

As you know, the Budget Resolution requires the Senate Finance Committee to identify \$10 billion in budget cuts over the next five years. Similarly, it requires the House Energy and Commerce Committee to propose \$14.7 billion in cuts over the same period. Although the Budget Resolution does not explicitly direct these cuts to come from any specific programs, Medicaid has clearly been targeted and, in large part, that is why we are all here today.

First, it is important to emphasize that there is no requirement to cut as much as \$10 billion from Medicaid. The cuts can occur through savings in other programs and as much of these expected savings as possible should come from programs not targeted toward low-income Americans. What is more, the budget process is not an appropriate forum for a conversation about “reforming” or in any way restructuring Medicaid. The program should be thoughtfully scrutinized to see if there are ways to make it more cost-effective and efficient—and if so, those changes should be enacted.

There is, however, one area where most agree some savings can be found without reducing services essential to those enrolled in the program. That is the area of prescription drug spending. There is widespread agreement that Medicaid pays too much for prescriptions drugs. In fact, the new interim policy on Medicaid that the National Governors Association presented in front of this Committee last week contains several

very helpful recommendations regarding prescription drugs. We look forward to working with the Governors on their proposed improvements aimed at decreasing the costs of prescription drugs that are purchased by Medicaid.

There are lots of specific changes that could be instituted to help the federal government and the states reduce the rapidly increasing costs of prescription drugs. Such policies would need to be crafted carefully with appropriate safeguards to ensure that people are able to get the drugs they need and Medicaid gets the best price possible for drugs, and to encourage responsible prescribing, dispensing, and utilization of drugs. Strategies that may be worth considering include: changing the formula for calculating Medicaid “best price” and Medicaid rebates; changing the reimbursement rates to pharmacists for dispensing drugs; and improving the management of the prescription drug rebate program.

Families USA looks forward to working with this Committee to achieve as many savings as possible from prescription drugs. However, to the extent that Congress seeks budget savings from the other parts of the Medicaid program, certain principles should guide its work. Those principles include the following:

Health and long-term care coverage must continue to be guaranteed for those who qualify for Medicaid. Like Medicare, Medicaid assures that people who qualify must be enrolled and not be placed on waiting lists. Any changes in this basic principle would leave vulnerable people without access to health care, undermining the very purpose of the Medicaid program.

Financing should continue to be fully shared between the federal government and the states without caps. Today, the federal government guarantees to states that it will pay at least half of Medicaid’s costs. Policies that shift costs and risks to the states or that impose caps on federal payments to the states (such as block grants) will lead to fiscal burdens on the states that they cannot afford and will result in significant cutbacks of coverage and a weakening of the health care system.

Benefits and cost-sharing should reflect the needs and economic circumstances of the people served by Medicaid. The Medicaid benefit package should be comprehensive and ensure that people are able to access benefits they need. Needed medical services should be available and affordable to the elderly, children, people with disabilities, and other adults covered by the program whose low incomes make it impossible for them to afford significant out-of-pocket costs. Changes that would effectively deny access to needed care or saddle low-income people and their families with costs they cannot afford to pay are counterproductive and inconsistent with the program’s mission.